

**Testimony
of
The Honorable Donald W. Hill**

**Deputy Mayor Pro Tem
City of Dallas**

**Water Resources & Environment
Subcommittee**

**Committee
on
Transportation & Infrastructure**

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Introduction

Chairman Duncan, Ranking Member Johnson and members of the Subcommittee, thank you for this opportunity to testify today on an issue of vital importance to the City of Dallas and to cities of all sizes throughout the nation. My name is Donald W. Hill, Deputy Mayor Pro Tem of the City of Dallas. I represent Council District 5 and serve as Chairman of the City Council's Finance and Audit Committee.

Of all the services that local governments provide, none contributes as much to public health, the environment and general public welfare as water and wastewater service. Maintaining and expanding the infrastructure needed to provide this critical service while meeting federal mandates is a costly challenge. I appreciate the Subcommittee's interest in this important issue and hope that your work will help Congress find some creative ways to help local governments finance water and wastewater infrastructure.

The City of Dallas Water Utility

The City of Dallas's Water Department provides drinking water and/or wastewater service to over 2.2 million people in Dallas and 28 neighboring communities spread over 699 square miles. A recently completed update to the City of Dallas's Long Range Water Supply Plan indicates that Dallas will be

providing water and/or wastewater service to more than 4.5 million people by 2060. Founded in 1881, the Department operates three drinking water treatment plants with 865 million gallons per day capacity, two wastewater treatment plants with 260 million gallons per day capacity, 4700 miles of water mains and over 4100 miles of wastewater mains. Laid end to end, our water mains would reach from Dallas to London and our wastewater mains would reach from Dallas to Honolulu. Although this is an incredibly large and complex system to keep up and running, it largely goes unnoticed by the average citizen. Unnoticed, that is, until there is a service problem. As our nation's water and wastewater infrastructure deteriorates with age, you and I will increasingly hear about those service problems from our constituents.

The City's Water Department operations are funded solely by water and wastewater rates paid by its customers. In addition, the City issues revenue bonds backed by its ratepayer base to finance major capital improvement projects.

Dallas's drinking water currently comes from five surface sources: Grapevine Lake, Lake Lewisville, Ray Roberts Lake, Ray Hubbard Lake and Lake Tawakoni. In addition, Dallas has water in reserve in Lake Fork and Lake Palestine. The City's Water Department maintains a proactive approach to long

range water planning and recently completed an update to our Long Range Water Supply Plan that identifies water supply demands and sources to meet area demands through 2060. The plan includes water conservation, drought emergency planning, and an increased use of recycled water for non-potable uses, including irrigation and industrial uses and using recycled water for potable use through augmentation of existing supplies.

The Challenge of Financing Water & Wastewater Infrastructure

Like many cities, Dallas faces the dual challenges of replacing aging water and wastewater infrastructure and meeting federal mandates related to safe drinking water and clean water. The City is aggressively undertaking a comprehensive program to replace our aging water and wastewater infrastructure, some of which dates back to early in the last century.

Over the next ten years, the City Water Department's plans call for spending \$2.5 billion on capital improvements ranging from replacing water and wastewater mains to increasing capacity and modernizing treatment plants. Virtually all of this work will be financed by ratepayers and the issuance of revenue bonds. Though this work will put a severe strain on City finances and on ratepayers, much of it is necessary for the City to meet federal drinking water and clean water standards and environmental regulations. Over the past two years,

we have increased water and sewer rates by 11.3 and 7.9 percent respectively and City staff estimate that we will need annual increases of approximately 7 or 8 percent each year for the next several years to finance the costs of constructing new and replacement infrastructure. As an elected official, I am conflicted between the need to modernize Dallas's water and wastewater infrastructure and the burden that these increases place on working families.

While providing water and wastewater service is undeniably a local responsibility, there is an important role for the federal government to play in financing water and wastewater infrastructure. The City strongly supports the goals of both the Safe Drinking Water Act and the Clean Water Act. However, both laws place expensive mandates on cities that the federal government should help meet. The federal government helps state and local governments finance many kinds of infrastructure, most notably highways, airports and transit. There is a sound basis for Congress to provide this kind of assistance as funding for all three can easily be translated into numbers of jobs and measurable mobility improvements. However, it is important to note that without safe and reliable drinking water and sanitary sewer service, jobs and mobility mean very little. It is clear that federal assistance for water and wastewater infrastructure financing would help keep local customer rates affordable. As water and wastewater service rates continue to rise, high water and wastewater bills

present a growing challenge to homeownership as they become a greater percentage of household income.

State Revolving Loan Funds

Though both the Safe Drinking Water and the Clean Water State Revolving Loan Funds provide important assistance to many communities as they strive to provide their citizens with safe drinking water and sanitary sewer service, funds from these programs are prioritized to assist smaller communities with challenges in providing the most basic services or economically depressed communities with significant challenges in meeting basic public health requirements. While these programs do provide assistance, the public entities that receive this assistance, in the form of loans, must still include the costs for the infrastructure and financing in the rates of their customers.

There is no question that these programs provide important assistance to many communities and that Congress should continue to fund them. However, assistance in the form of federal funding for water and wastewater infrastructure similar to that for other forms of infrastructure, as mentioned previously, would provide a much greater benefit to communities that are required to comply with ever growing federal requirements related to water and wastewater systems. Providing federal funding for this work will also be translated into numbers of jobs

and measurable economic growth resulting from having high quality dependable services.

Water & Wastewater Infrastructure Grants

I understand that Subcommittee is exploring creation of a water and wastewater infrastructure grant program funded by a trust fund. The City of Dallas supports creation of a new grant program to provide direct assistance to local governments for water and wastewater infrastructure. We recognize that budget constraints make creation of such a program difficult at this time and that creation of a trust fund will require either cuts to other programs or new sources of revenue. However, the City has major concerns about any proposal to finance a trust fund with a tax on water and wastewater. I am particularly concerned about the impact of keeping housing affordable for working families. Any increase in water and wastewater rates should be decided locally and should directly benefit the local ratepayers that pay the increased rates.

Should Congress create such a new grant program, it would need to recognize that cities throughout the country have vastly different needs. Such a program would have to be flexible, affording opportunity for local priority setting, and adequately funded to assist with needs of communities throughout the country.

The existing grant programs run by the Environmental Protection Agency provide important assistance to many communities. However, these funds are difficult to obtain and the current process does not allow for long-term planning. Dallas has received these grants in the past and greatly appreciates the role our Congressional delegation has played in obtaining them as they have provided us with valuable and much-needed special purpose assistance. However, these grants do not represent a stable, reliable source of ongoing funding.

Title XVI Program

The City of Dallas is excited about the Department of the Interior, Bureau of Reclamation's Title XVI Program (PL 102-575), which provides federal assistance of up to 20 percent of total project cost for the construction of local water reuse systems. As our population grows and water demand rises, Dallas plans to vastly increase the use of reclaimed water for non-potable uses including irrigation and industrial purposes and for potable use as augmentation to our existing water supplies. Dallas is exploring participation in the Title XVI Program.

However, the Title XVI Program remains small and difficult for local governments to access. Each project must be individually authorized. Each individual project then needs its own yearly appropriation once it is authorized.

Given the environmental and water conservation benefits that water reuse can provide our nation, Congress should explore expanding the Title XVI Program into a broad grant program or make expansion of reuse capacity an eligible use of any new grant program. Such action would assist, encourage a significantly expand the use of reclaimed water throughout the nation in general and in drought prone areas specifically. This would be similar to the efforts of Congress in the 1960s to encourage study of collection systems and development of quality wastewater treatment plants to assist communities in their efforts and to encourage protection of the environment.

Innovative Financing of Water & Wastewater Infrastructure

Given the budget constraints Congress faces, I appreciate that creating new grant programs is difficult at best. For that reason, Congress may also want to look at some innovative ways of helping local governments finance water and wastewater infrastructure. For example, Congress may want to consider allowing taxpayers to deduct all or part of their water and wastewater expenses from their taxable income. Congress already allows the deduction of local property taxes that finance general local government operations. Allowing the deduction of water and wastewater expenses would lessen the financial impact to customers of the increased rates necessary to fund the required infrastructure

construction. While the City of Dallas seeks to minimize rate increases, our system is a self financing one which means that the significant infrastructure improvements needed will result in future rate increases. This is just one example of how Congress might look at innovative ways to help local governments and citizens finance water and wastewater infrastructure.

Conclusion

Chairman Duncan, Ranking Member Johnson and Members of the Subcommittee, I thank you again for the opportunity to testify on this important issue. Thank you also for your interest in how Congress might help local governments and the citizens they serve to meet the challenge of financing water and wastewater infrastructure. The City of Dallas looks forward to working with you on this issue and hopes that you will be able to identify a meaningful role for the federal government in this area.